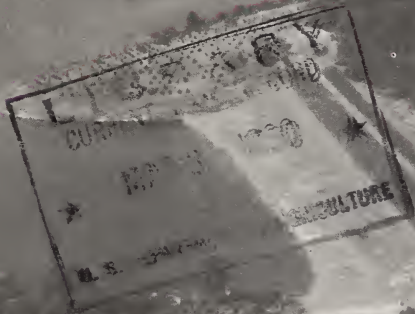


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WATERSHED LOANS

U. S. DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION

November 1959

PA-406

Watershed Loans

- TO:**
- **protect**
 - **develop**
 - **utilize your watershed**

Local organizations can obtain watershed loans to plan and carry out plans to protect and develop the land and water resources in small watersheds.

Watershed projects are limited to areas of not more than 250,000 acres. Structures planned for such areas cannot have a capacity of more than 5,000 acre-feet for flood detention or more than 25,000 acre-feet for all purposes. The loans help local organizations pay costs allocated to them in an approved watershed work plan.

The loans are available from the Farmers Home Administration, an agency of the U.S. Department of Agriculture.

Questions and answers about the watershed loan program follow:

What Projects Are Eligible?

Loans are only made for watershed projects approved under the Watershed Protection and Flood Protection Act. An application for a watershed loan should not be filed until after the SCS approves the watershed for planning. See leaflet SCS-C1-4 titled "Local-State-Federal Watershed Projects" for a brief outline on how to obtain aid from the Soil Conservation Service.

What Local Organizations Are Eligible?

Eligible local organizations may include a soil or water conservation district, irrigation district, drainage district, flood prevention or control district, municipal corporation or similar organization. The local organization must lack sufficient funds and be unable to borrow the needed funds at reasonable rates and terms from any other established source.

It must have authority under state law to obtain, give security for, and raise revenues to repay the loan and to operate and maintain the facilities financed with the loan.

How May Loan Funds Be Used?

Loan funds may be used:

1. To install, repair, or improve facilities to:
 - a. Store and convey irrigation water to farms.
 - b. Drain farm areas.
 - c. Store, treat, and convey water mainly for farm household, livestock, and crop spraying purposes.
 - d. Stabilize annual streamflow, increase the recharge of ground water reservoirs, and conserve present water supplies.
2. For special land treatment measures, structures, or equipment installed or used by the local organization primarily, but not entirely, for flood prevention.
3. To install, repair, or improve water storage facilities, for such purposes as municipal water supply, recreation, fish and wildlife improvement, and pollution abatement by streamflow regulation and saline water intrusion control. A loan for a storage reservoir for municipal water supply may include funds for pipelines to convey the water from the reservoir to the existing municipal treatment facilities or water system.
4. To buy a full or part interest in land for sites or rights-of-way upon which works of improvement will be located; to pay associated costs such as for the removal, relocation, or replacement of bridges, roads, railroads, pipelines, buildings, and fences.
5. To acquire a water supply or a water right.
6. To employ engineers, attorneys, auditors, construction foremen, and clerks needed to organize the group, make engineering surveys, develop construction plans, administer construction contracts, and supervise the building of works of improvement.
7. To buy equipment and machinery needed to build, install, and maintain the planned works of improvement provided it cannot be rented cheaper or that the cost of works of improvement will be lower as a result.
8. To refinance debts of a local organization under certain conditions.

What Are the Terms?

Loans are scheduled for repayment within the shortest period consistent with the borrowers' abilities to repay. The repayment period will not exceed 50 years from when the principal benefits of the facilities become available. There must be adequate evidence that income will be sufficient to meet all scheduled repayments.

The interest rate is set at the beginning of each fiscal year and applies to all watershed loans made during the year. For example, the rate for the fiscal year ending June 30, 1960, as set by the formula in the law, is 2.699 percent. Once the interest rate is set on a loan, it will not change during the life of that loan.

Each borrower may make prepayments in any amount at any one time.

How Much Can Be Borrowed?

The total amount of indebtedness for all watershed loans for any one watershed project, whether made to one or more borrowers, shall not exceed \$5,000,000.

What Security Is Required?

Watershed loans will be secured in a manner which will adequately protect the interests of the government. Usually, security that can be offered includes general obligation bonds supported by tax liens, bonds repayable from revenues pledged for repayment, or other evidences of debt secured by liens on property and by pledges of revenue.

How To Apply?

Each local organization requesting a watershed loan will make application by submitting a letter to the state director of the Farmers Home Administration. The letter should include the applicant's address, name and location of the watershed, brief description of the facilities to be installed with the loan, estimated amount of loan money needed, and a brief statement about the organization including an exact reference to, and citation of, the statute under which the applicant is, or will be, organized, and the statute or statutes which give the applicant authority and power to obtain the loan and repay it. The letter should be signed by the presiding officer if the group is incorporated, or by the members of the organizing committee if the group is not incorporated.